

### 3. BUSINESS CASE

#### 3.1 Cost Analysis

The project costs identified in the follow table include the total project costs for IT Capital, Facilities Capital, and OE.

High Level, Total Project Costs		
Costs	Capital	Assumptions
Technical & Communications	\$ 78K	IT Capital
Facilities – Furniture	\$ 165K	Facilities Capital
Project Totals:	\$ 243K	

#### 3.2 Benefit Analysis

Tangible Benefits		
Benefit	Value	Assumption
If the control center furniture is installed at a later date additional furniture and rework costs will be incurred.	\$405K	If the control center furniture is not approved, Centralized Scheduling may want to change to it in the future. The additional costs to do this at a later time include: LAN rewiring @ \$100,000 + Electrical rework @ \$50,000 + Carpeting @ \$10,000 + Furniture @ \$245,000 = \$405,000. In addition to these costs, the Centralized Scheduling, which includes critical business functions, will need to be relocated during this renovation.
Reducing the number of PC's per dispatcher to one will reduce costs.	\$36K	Reducing the number of Dispatcher PC's from 3 to 1 will result in a \$36,000 hardware savings.

Intangible Benefits	
Benefit	Assumption
<b>Control Center Furniture for Centralized Scheduling:</b>	
Standardize Centralized Scheduling's furniture.	Standard furniture will make it easier to optimize work.
The control center furniture is built to allow easy access to the F/C for maintenance.	Reduce Help Desk disruptions to the Centralized Scheduling personnel when maintaining the F/C.
The control center furniture is built to allow easy access to the network and electrical wiring for maintenance.	Trouble shooting and maintenance on the network and electrical wiring can be done with minimal impact to the Centralized Scheduling personnel.

## Project

Intangible Benefits - Continued	
<b>Flat Screen Monitors:</b>	
Flat screen monitors are ergonomically less fatiguing to users.	CFM will provide more visual information to the end user. Flat screen monitors cause less eyestrain and are easier to reposition for comfort.
Centralized Scheduling Statistics:	
Headsets:	
Headsets will significantly reduce noise.	Centralized Scheduling does a large part of their <b>communications</b> with the field by voice. Headsets will reduce the amount of noise in the room.
<b>PC's:</b>	
Reducing the number of PC's per Dispatcher to one increase comfort.	More legroom will be available for the Dispatchers.

Strategic Benefits (providing information that was not previously available)	
Benefit	Assumption
A control center furniture configuration will help enable CFM benefits.	<p>The first step to migrating to a control center environment for <b>Nicor Gas'</b> field force management is the physical consolidation of Dispatch and workload. This will be achieved by the move to Sycamore.</p> <p>The second step is to establish a control center environment through the proper selection of furniture. A control center environment will <b>help</b> facilitate the timely and accurate communication of information. This will be accomplished by reducing communication barriers between personnel and providing a common line of site to the front for global updates by management.</p> <p>The <b>final</b> step is the completion of the CFM project that <b>will</b> align processes and culture.</p>
A control center configuration will enable the installation of a video wall.	Centralized Scheduling plans to install a video wall at the front of the <b>control</b> center center. These monitors will take advantage of the CFM project to provide summary statistics, critical alerts, and better facilitate the planning of restoration during emergencies through a global view of Nicor Gas' territory. This video wall can also be used to provide high level information to executives and visitors without the need to disrupt operations during critical times.

## 4. PROJECT PLAN

### 4.1 Assumptions

- CFM will be completed in mid 2006.

### 4.2 Constraints

- Console furniture needs to be installed with the move to Sycamore to avoid future rework costs.
- A lead time of 6 – 8 weeks is required to order the console furniture. Delaying the procurement of the furniture could delay the move of Centralized Scheduling to Sycamore

### 4.3 Schedule

The installation of these recommendations will be integrated with the move out of Highland to Sycamore.

Overview of Project Schedule	
Milestone	Start/End Dates
Initiation & Planning	4/7/2003
Vender Selection	4/8/2003
Procurement	4/10/2003
Build Phase	4/10/2003 - 7/1/2003
Go Live	7/14/2003

## 5. PROJECT ORGANIZATION

### 5.1 Assigning Resources

Role	Responsibilities	Resource	Time Req'd
<b>Project Board</b>	<ul style="list-style-type: none"> <li>Expenditures</li> <li>Resolution of issues</li> <li>Go/No go</li> <li>Ensure success</li> <li>Approve scope</li> </ul>	See Below	
<b>Project Sponsor</b>	<ul style="list-style-type: none"> <li>Chairs the board and funds the project</li> <li>Represents project to the rest of the organization</li> </ul>	Jim Griffin	
<b>Customer Representative</b>	<ul style="list-style-type: none"> <li>Allocates business resources to the project team</li> <li>Ensures that the project's results will work in the operational level of the business.</li> </ul>	Pat Whiteside	
<b>Technical Representative</b>	<ul style="list-style-type: none"> <li>Ensures that the technical deliverables of the project are consistent with the overall technical strategy of the corporation.</li> <li>Allocates technical resources to the project team.</li> </ul>	Mark Guth	
<b>Project/Stage Manager</b>	<ul style="list-style-type: none"> <li>Day to day management</li> <li>Production of end of stage deliverables.</li> <li>Reporting and scheduling.</li> <li>Brings issues to the board.</li> </ul>		
<b>Project Team</b>	<ul style="list-style-type: none"> <li>Do the actual work on the project</li> </ul>	See Below	
<b>Business Team</b>	<ul style="list-style-type: none"> <li>Define Requirements</li> </ul>	Liz Rogers, Bob Goad, Jim Bruen	
<b>Technical Team</b>	<ul style="list-style-type: none"> <li>Produce the technical deliverables</li> </ul>	Nadeem Choudhary, Darren Maiman	
<b>Intervening Managers</b>	<ul style="list-style-type: none"> <li>Receive reports on project activities and progress, especially where their direct report staff are being utilized (however, they do not set project priorities or direction.)</li> </ul>	Pat Whiteside	

## Project

<b>Project Coordinators</b>		<ul style="list-style-type: none"> <li>Ensures that the main interests being served by the project are properly represented at the working level</li> <li>Provides continuity in the day to day coordination of the project especially if there are changes of Project Manager.</li> </ul>	See Below	
	<b>Planning</b>	<ul style="list-style-type: none"> <li>Responsible for the planning and administrative aspects of the project.</li> </ul>	Liz Rogers, Bob Goad, Jim Bruen, Jessie Sanderson, Darren Tim	
	<b>Business</b>	<ul style="list-style-type: none"> <li>Ensures that the operational interests of the business are being fully represented in the day-to-day operations of the project.</li> <li>Helps identify who from the business areas can add value to the project team.</li> </ul>	Liz Rogers, Bob Goad. Jim Bruen	
<b>Move Coordinator</b>		<ul style="list-style-type: none"> <li>Responsible for the planning and sequencing of personnel moves.</li> <li>Communicates move dates and responsibilities to personnel.</li> <li>Maintains and distributes information that will be of assistance to employees moving to Sycamore (ie. Maps, town information / brochures, etc.)</li> </ul>	Jessie Sanderson, Darren Tim	
<b>Technical</b>		<ul style="list-style-type: none"> <li>helps ensure the technical quality of the deliverables being produced.</li> <li>Assists in identifying all the technical tasks and standards that need to be followed.</li> <li>Identifies resources to facilitate the production of project deliverables.</li> </ul>	Nadeem Choudhary, Darren Maiman	
<b>Key Resources</b>		<ul style="list-style-type: none"> <li>Provide expert knowledge in specific business or technical areas.</li> <li>Contribute to the creation of stage deliverables by providing information</li> <li>May also review stage deliverables.</li> </ul>	See Below	
<b>Technical Support</b>		<ul style="list-style-type: none"> <li>Make sure the system is up and running</li> <li>Installations</li> </ul>	Nadeem Choudhary, Darren Maiman	

## Project

<b>LAN Support</b>	<ul style="list-style-type: none"> <li>Provides expert knowledge and support for the implementation of the project on the organization's LAN</li> </ul>		
<b>Process Coordinator</b>	<ul style="list-style-type: none"> <li>Ensure quality of the technical deliverables produced</li> <li>Assists in identifying all of the technical tasks and standards that need to be followed.</li> </ul>	Nadeem Choudhary	
<b>GUI Standards</b>	<ul style="list-style-type: none"> <li>Provides expert knowledge of good GUI design practices and organizational GUI standards.</li> </ul>	NA	
<b>Other</b>	<ul style="list-style-type: none"> <li>Research - BTS</li> <li>Subject Matter Experts - BU</li> <li>Technical Design Analyst - BTS/Op</li> <li>Program Analyst - AP</li> <li>System Analyst - AP</li> <li>Web Analyst - AP</li> <li>Client Server Developer - AP</li> <li>Network Engineer - OP</li> <li>Telecom Engineer - OP</li> <li>Wireless Engineer - OP</li> <li>DBA (MS SQL, Informix, etc.) - OP</li> <li>Help Desk - OP</li> <li>Change Management - AP</li> <li>Trainer - AP</li> <li>Auditor - AP/OP</li> <li>Architects - BTS</li> <li>Web Engineer - OP</li> <li>Security - Sec</li> <li>Change Control - OP</li> <li>Data Access - OP</li> <li>Ops Support (Unix, NT, etc.) - OP</li> </ul>	Help Desk	
<b>Key Stakeholders</b>	<ul style="list-style-type: none"> <li>Receive major deliverables produced during a stage of the project.</li> </ul>	Pat Whiteside, Liz Rogers, Bob Goad, Jim Bruen, Shirley Weite	

## Project

## 6. PROJECT BUDGET

### Centralize Scheduling Consolidation Enhancements

Item	Qty	Cost per unit	IT Capital	Facilities Capital	Notes / Assumptions
Flat Screen Monitors	62	\$900	\$56,000		Flat screens provide a larger workspace for the user and reduce eye fatigue. If flatscreens are not approved, 8x8 workstations will need to be installed to accommodate monitors.
Ceiling Monitors	2	\$500	\$1,000		Provide current statistics for Centralized Scheduling.
Extract Statistics for Display			\$5,000		This is the data that will be displayed on the ceiling monitors.
PC	18	\$0	\$0		18 PC's for Dispatching only. PC cost will be covered by IT.
Headsets	40		\$9,000		Headsets will significantly reduce noise.
Workstations & Chairs				\$150,000	Additional capital required to procure console furniture.
Sub Totals			\$71,000	\$150,000	
Contingency (-10%)			\$7,000	\$15,000	
Sub Total w/ Contingency			\$78,000	\$165,000	

Project summary	Total Capital
Centralized Scheduling Consolidation Enhancements Total Capital:	\$243,000

Summary by Cap Type	Data Center / Network	Facilities - Furniture
Sub Total	\$ 71,000	\$ 150,000
Contingency (10%)	\$ 7,000	\$ 15,000
Work Order Requests by Cap Type	\$78,000	\$ 165,000

**Move Out of Highland  
Budget  
41112003**

**Basic Move**

Item	Qty	Cost per unit	Facilities Capital	IT Capital	OE	Notes / Assumptions
Cisco Switch	1	\$50,000		\$50,000		Required for the additional personnel to be moved into Sycamore.
LAN Wiring				\$130,000		The Call Center Move project did not include this task for the north and 1st floors.
Phones	20			\$10,500		20 replacement phones for Dispatching.
Exchange Server				\$10,000		Required to support the additional personnel to be moved into Sycamore.
File & Print Server				\$10,000		IT Ops strongly recommends a new file & print server since Field Force Management and the Call Center are both 24x7 operations that could be severely impacted if sever trouble were encountered. Seperate servers will reduce the impact of any unforeseen outages.
Connect CEB to Sycamore					\$15,000	OE. 7 Connections to Sycamore. Cost will be covered by IT.
Frame Relay Router	1	\$0		\$0		Cost will be covered by IT.
Demolition			\$5,000			The Call Center Move project did not include this task for the north and 1st floors.
Ceilings			\$31,000			The Call Center Move project did not include this task for the north and 1st floors.
Parking Lot			\$137,500			Required to accommodate the additional parking needs for the move from Highland.
Furniture			\$100,000			15 replacement workstations for Dispatching, chain, cabinets, and furniture components.
Guest chairs			\$3,000			Chairs for offices and conference rooms.
Workstation moves					\$45,000	Cost of actually moving people.
Build offices			\$7,500			The Call Center Move project did not include this task for the north and 1st floors.
Manager office			\$28,000			The Call Center Move project did not include this task for the north and 1st floors.
Tables			\$6,000			The Call Center Move project did not include this task for the north and 1st floors.
Fire Suppression			\$45,000			The Call Center Move project did not include this task for the north and 1st floors.
Electrical			\$100,000			The Call Center Move project did not include this task for the north and 1st floors.
Basic Move Sub Totals			\$463,000	\$210,500	\$60,000	
Contingency (10%)			\$46,300	\$21,050	\$6,000	
Sub Total w/ Contingency			\$509,300	\$231,550	\$66,000	

Project summary	Total Capital	Total Project (w/ OE)
Basic Move Total Capital & Total Project	\$740,850	\$806,850

Summary by Cap Type	Facilities Buildings & Grounds	Facilities Furniture	Data Center / Network	OE
Sub Total	\$ 354,000	\$ 109,000	\$ 210,500	\$ 60,000
Contingency (10%)	\$ 35,400	\$ 10,900	\$ 21,050	\$ 6,000
Work Order Requests by Cap Type	\$ 389,400	\$ 119,900	\$ 231,550	\$ 66,000

WP (F-4) 8

**Move Out of Highland**  
**Budget Impact on the Call Center Move Budget Item**  
**4/1/2003**

<b>Original Call Center Move to Sycamore Authorized Budget</b>	<b>\$ 5,700,000</b>
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<b>Actual and Remaining Call Center Move Expenditures as of 2/25/03</b>	
Sycamore Office Bldg (Complete)	\$ 2,475,000
15.9 acres in Sycamore/Call Ctr (Complete)	\$ 646,294
Renovation Sycamore Office Bldg	\$ 659,204
Furniture Sycamore Office	\$ 282,763
PBX Phone System -Sycamore	\$ 615,000
ACD/PBX Legal Fees	\$ 16,200
Computer Equip for Sycamore	\$ 275,751
<b>Total Call Center Move Actual and Remaining Expenditures</b>	<b>\$ 4,970,213</b>

<b>Move Out of Highland Budget Request (Basic Move):</b>	
Computer Equip for Highland Move to Sycamore	\$ 231,550
Facilities - Building & Grounds	\$ 389,400
Facilities - Furniture	\$ 119,900
<b>Total Move Out of Highland Budget Request</b>	<b>\$ 740,850</b>

<b>Calculations:</b>	
Total revised planned expenditures	\$ 5,711,063
Remaining \$'s from original approval	\$ (11,063)



## MEMORANDUM

Date: 4/1/2003

Subject: Request for Transfer of Funds ~~from the~~ Call Center Move to Sycamore Project to separate Highland move work orders

From: Jim Griffin

To: CMT & IT Steering Committee

In 2002 the Sycamore Call Center Project was approved for \$5.7 million. Included in this project's work was \$100,000 for Highland Relocation and \$100,000 for Dispatching Relocation that was deferred to 2003. To ~~perform~~ these relocations the Move Out of Highland project has been created and is seeking approval. The goal of this project is to move the personnel from the Highland second floor and to consolidate Centralized Scheduling's Dispatching and Workload Administration at Sycamore. Additional departments impacted by this move include Meter Reading, Corrosion, Leak Survey, Locating, and Business Systems Support.

The current IT estimate to prepare the Sycamore site for these departments is \$232,000. Two other work orders will be created to track facilities costs for this project. The total request for the Move Out of Highland is as follows:

IT costs to prepare Sycamore	\$232,000
Facilities - Building & Grounds	\$390,000
Facilities - Furniture	\$120,000
	<hr/>
Total Move Out of Highland Request	\$742,000

I am requesting that additional work orders be approved for the sums above and be applied against the Sycamore Call Center Project budget.

Jim Griffin  
AVP Customer Services

Proj 8222

Original Call Center Move to Sycamore Authorized Budget \$ 5,700,000

	Estimate as of 02125103	Life to Date	Variance	
103688 Sycamore Office Building	\$2,475,000	2,475,000	0	
179448 15.9 acres in Sycamore	1646,294	646,294	0	
103705 Renovation Sycamore Ofc Building	\$659,204	684,631	25,427	Additional furniture reconfiguration costs based on new location incurred after 2/25/03 estimate
103706 Furniture Sycamore Office	\$282,763	314,199	31,436	Additional furniture reconfiguration costs based on new location incurred after 2/25/03 estimate
103735 PBX Phone System - Sycamore	\$631,200	699,890	68,690	Additional Symposium Licenses for Call Center and Outside Legal fees incurred after 2/25/03 estimate
178351 Computer Equip for Sycamore	\$275,751	281,019	5,268	
Total Call Center Move Actual & Remaining Expenditures	\$4,970,212	5,101,033	130,821	

**Budget # 8222: Move out of Highland**

WO #	Description	Budget	Life to Date	Variance	
178387 IT Costs		\$231,550	244,806	13,256	
103763 Office Preparation		\$389,400	389,400	0	New UPS (Uninterruptable power Supply) to support Dispatch.
103760 Carpet & ceiling tile			95,809	95,809	Not part of the original \$742K request.
103784 Furniture		\$119,800	26,398	(93,503.59)	Under in Furniture as the vast majority of the expenditures were included in WO# 103761
Total		\$740,860	756,412	15,562	

Total Revised planned expenditures \$5,711,062  
 Estimate Difference from original approval (\$11,062) 5,857,444 \$146,382.11 Variance from revised estimate

Variance from original budget \$146,382.11

**Budget # 8225: Sycamore Centralized Scheduling**

WO #	Description	Budget	Life to Date	Variance
103761 Furniture & Fixtures - Sycamore		\$165,000	148,463	(16,537)
178388 Centralized Scheduling Sycamore		\$96,000	97,232	1,232
Total		\$261,000	245,695	-15,305

## Financial System Replacement

Note: Use additional pages if more space is needed.

Page of

Budget Item No.	Dept. No.	Region	Activity Type (See back)	AFUDC (See back) yes no	ESTIMATED EXPENDITURES (\$000)			
					Year	This Request	Previous Authorization	Total Authorization
8951 <b>8951</b>	363	G.O.	Computers					
W.O.#Investment	<b>178957</b>		<b>178958</b>	<b>178959</b>	1997	600		600
W.O. #Retirement				Authorization Yes No	1998	2,400		2,400
File No.	NBA/MR/PI/SI/ No.	Est. start date	Est. completion date: Year Qtr		1999	400		400
				Retires				
				Total				<del>3,400</del>

Project Location  
General Office**REVISED** # **4,634,000**  
**10/18/99**

## Project Description

Purchase and implementation of a **financial** system package to replace existing 20-year old **mainframe** systems.**KAREN DOES NOT  
HAVE REVISED W/O**

## Alternatives Considered

- Convert existing system to be year 2000 compliant and make modifications to increase functionality.
- Delay implementation of package and convert existing systems to be year compliant in the interim.

## For Revisions Only

Revision  
(circle) 1 2 3 4

## Reimbursable?

No Yes %

Included in  
Budget?

Dollars &amp; Year (s)

1997 300

1998 2,400

## Reason for Request

Current systems are not year 2000 compliant. Ever increasing risk of system failure. 27 of the last 32 monthly system closes have not been completed successfully without intervention. Excessive amounts of effort required on compliance/governance activities. Employees are not effectively utilizing their base skills. Additional functionality needed for current and future business activities such as project and product profitability, better understanding of true costs. Efficiencies will lead to FTE reductions. (See attachment for more details)

## Reason for Budget Revision


**Dropped**

Mains to be Installed						Mains to be Retired							
Footage	Size	Type	Class	Cost/Foot		Footage	Size	Year	Type	Footage	Size	Year	Type
				Est.	Std.								
Feet of total main to be installed						Feet of total main to be retired							

Other facilities (installed or retired). All include any Operating Expense impact.

Economic Assessment Data				Approvals			
Item (See other side)	Value	Recommended by	Date	Approved by Senior Officer	Date		
Cost of Capital (after tax)	%	<i>Carol Rourke</i>	11/12/97	<i>George Rourke</i>	11/12/97		
Net Present Value at C/C (after tax)	\$	Approved by CPR	Date	Approved by Board of Directors/FPC	Date		
	515,900						
Internal rate of return (IRR)	%						
Treasurer's Office Approval (only if FPC to approve)				Budget Completion/Tolerance Check		Post-Investment Review	
By: _____ Date _____				Date _____		If yes, Quarter _____ Year _____ — yes — no — undecided	
				Actual Expenditures and commitments through date of completion \$		CPR Completion by _____ Date _____	


# BOARD MEETING



**Financial Information Systems Project**


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## Financial Information System



Building for Tomorrow

1




**Financial Information Systems Project**

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<b>Current State</b> <b>Closing the Books</b>	<b>Future State</b> <b>Running the Business</b>
<ul style="list-style-type: none"> <li>◆ 19 Systems</li> <li>◆ 7,000 Accounts</li> <li>◆ 200+ Reports</li> <li>◆ 2.4 million Transactions</li> <li>◆ High transaction processing costs</li> </ul>	<ul style="list-style-type: none"> <li>◆ 3 Modules</li> <li>◆ Re-designed Chart</li> <li>◆ 50 Reports</li> <li>◆ Reduced transactions</li> <li>◆ Achieve 1st quartile</li> </ul>

2



## Financial Information Systems Project

### The Need to Change


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- ◆ 20 year-old financial systems
- + Year-2000 compliant
- ◆ Risk of failure

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- ◆ \$1 million spent annually "chasing numbers"
- ◆ Repository of financial information
- ◆ Employee effectiveness

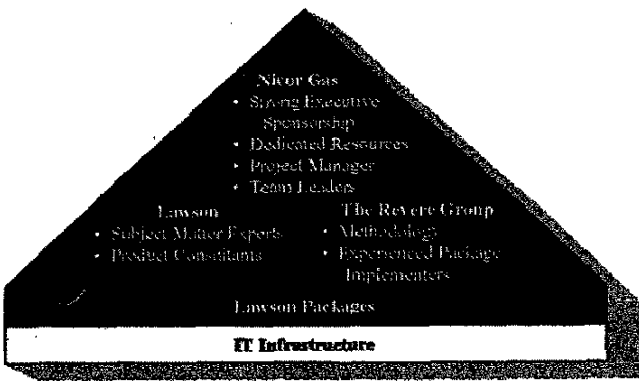
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## Financial Information Systems Project

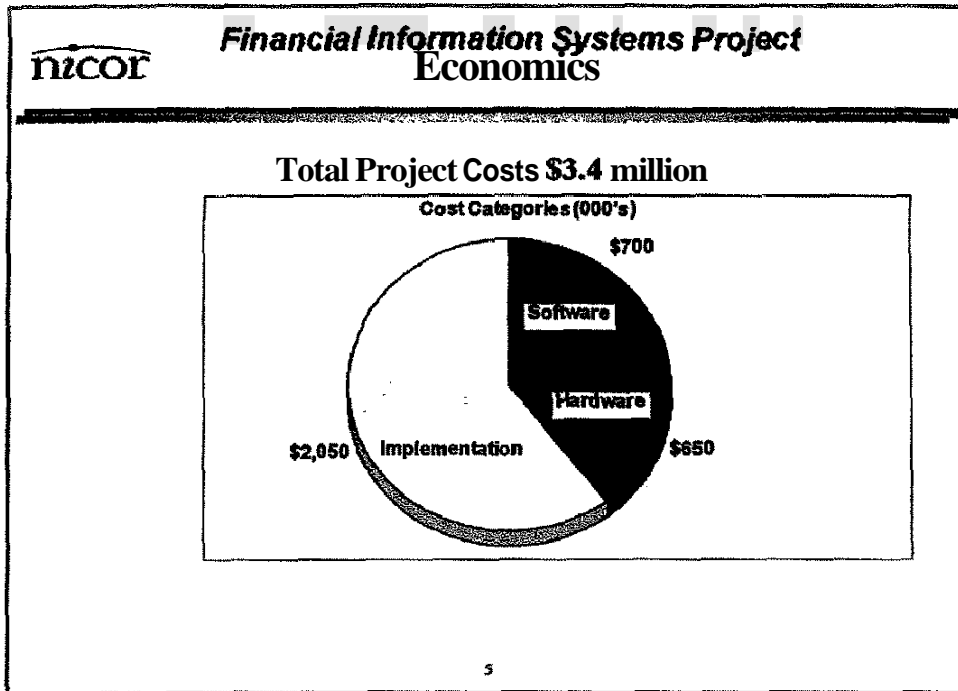
### Project Management

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The diagram is a pyramid with a white base. The base is labeled 'IT Infrastructure'. Above the base, the pyramid is divided into three main sections. The left section is labeled 'Lawson' and contains 'Subject Matter Experts' and 'Product Consultants'. The right section is labeled 'The Revere Group' and contains 'Methodology' and 'Experienced Package Implementers'. The top section is labeled 'Nicor Gas' and contains 'Sizing Executive Sponsorship', 'Dedicated Resources', 'Project Manager', and 'Team Leaders'. Below the 'Lawson' and 'The Revere Group' sections, the text 'Lawson Packages' is centered.

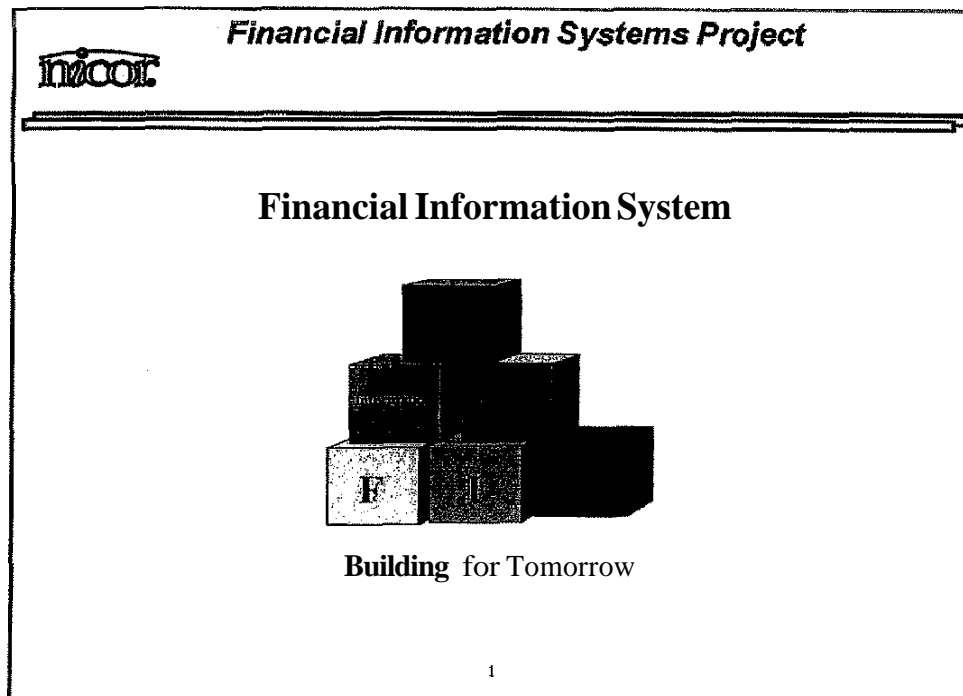
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**Financial Information Systems Project Economics**


NPV	\$515,000
One-time Savings	\$370,000
On-going Savings	\$960,000

6




Good morning, I'm here today to seek approval for the Financial Information System (FIS) Project, which will replace our aging financial systems.

After evaluating nine packaged system vendors and assessing specific applications for our company, we are recommending the purchase of Lawson Products financial suite. It is a package solution which will integrate with the Lawson Procurement system which was approved by this Board in 1996 and implemented earlier this year.

 <b>Financial Information Systems Project</b>	
Current State Closing the Books	Future State Running the Business
<ul style="list-style-type: none"> <li>+ 30+ year-old systems</li> <li>+ 19 systems</li> <li>● 7,000 accounts</li> <li>◆ 200+ reports</li> <li>4 2.4 million transactions</li> <li>◆ High transaction processing costs</li> </ul>	<ul style="list-style-type: none"> <li>+ Current technology</li> <li>◆ 3 modules</li> <li>◆ Redesigned chart</li> <li>◆ 50 reports</li> <li>◆ Reduced transactions</li> <li>◆ Achieve 1st quartile</li> </ul>
2	

The current state of affairs is quite complex with much of our time spent in "closing the books." A high volume of transactions are processed through a significant number of aging systems, with the general ledger system dating back to the **60's**. Today, significant efforts are spent in transaction processing. While our current systems have served us adequately for many years, a 1995 study concluded our finance organization transaction processing costs are higher than leading companies. The future state will provide us with an integrated solution with a simplified **chart** of accounts, standardized reporting, reduced number of transactions and elimination of certain redundant or nonproductive processes. Improved processing, access to and dissemination of information will enable accounting data to add more value **in** "running the business."



## Financial Information Systems Project

### The Need to Change

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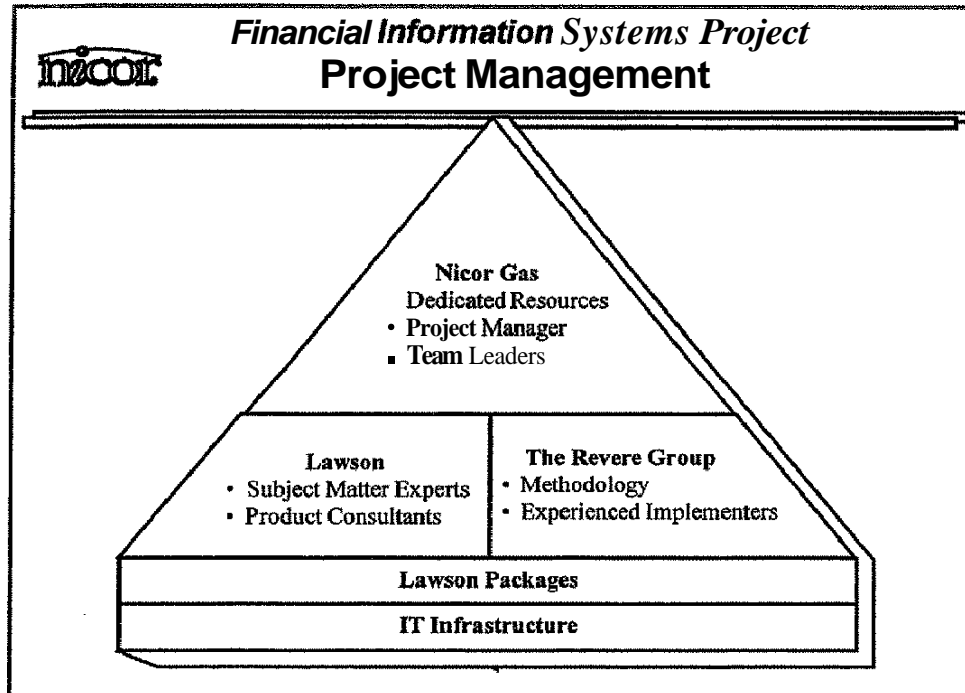
- ◆ 30 year-old financial systems
- ◆ Year 2000
- 4 Risk of failure

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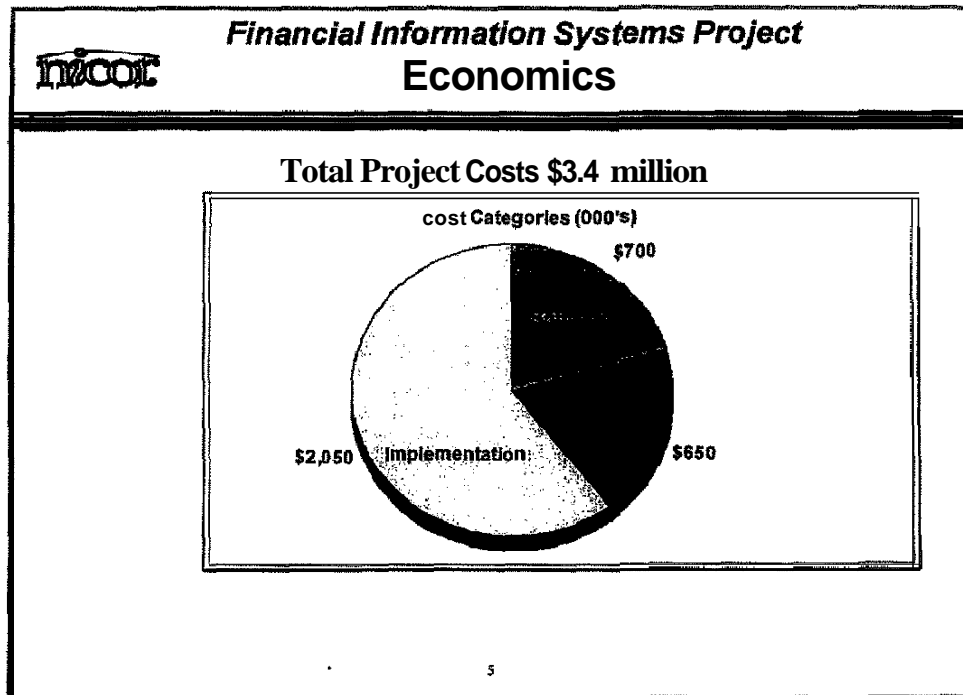
- ◆ \$1 million spent annually "chasing numbers"
- ◆ Repository of financial information
- ◆ Employee effectiveness

3


The need for change is clear. From my perspective, keeping what we have now is not a viable option. The risks associated with our financial systems has been highlighted over the past 2-1/2 years with over 80% of the monthly close processing failing in one form or another. These systems are not Year 2000 compliant, and if we attempt to make changes to the programs to be able to run them, more risk of failure will occur. In addition, we need to ensure our employees become even more effective. **An integrated** database of financial information will be a foundation for accomplishing that objective. The **Lawson** software will give us tools to make many of our peoples' jobs and contributions more meaningful.



Our approach for the FIS project will help to manage and reduce the risks associated with this major technology project. First, this project will leverage off of our established IT infrastructure as well as our recently implemented Lawson Procurement system. With Lawson continuing as our software vendor for this project, we have an established relationship to build on. In addition, we have engaged the Revere Group, a local 3rd party integrator experienced in implementing financial software packages. While we are using outside resources from these companies, this is a Nicor Gas directed project with dedicated internal project resources and management already in place. We will utilize each of the outside firms for the expertise that they bring to the table.

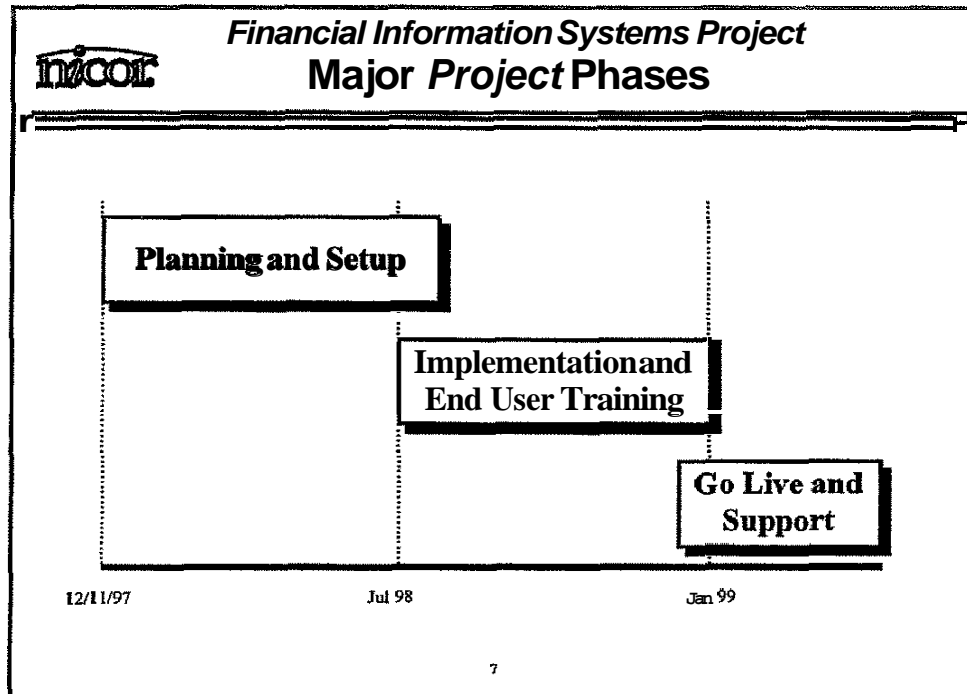


The costs for this project total \$3.4 million and cover software, hardware and implementation costs. As you can see, the **software** costs are about 20% of the total, **an** amount similar to the procurement project you approved last year. The hardware costs are primarily an additional server which will also be purchased as part of this project. The implementation costs include our internal resources, programming support for conversions and interfaces, **as** well as consulting assistance from The Revere Group.

 <i>Financial Information Systems Project</i> <b>Economics</b>	
◆ Initial Outlay	\$ 3.4 million
◆ Net Present Value	.5 million

The **\$3.4** million investment in this project will go beyond reducing the risk of failure.


The benefits will include avoiding estimated Year 2000 conversion costs of \$400,000, as well as reducing manpower in accounting support activities. The resulting NPR over the 10 year project life is estimated to be \$.5 million.



With the approval of this project, we can prepare detailed plans for the set up and implementation of the software package. Full implementation, testing and training will have us in position to go live with the new software in January 1999.

Are there any questions?


# FPC MEETING



**Financial Information Systems Project**


---

**Financial Information System**



**Building for Tomorrow**

1




**Financial Information Systems Project**

---

<b>Current State</b> <b>Closing the Books</b>	<b>Future State</b> <b>Running the Business</b>
<ul style="list-style-type: none"> <li>◆ 19 Systems</li> <li>◆ 7,000 Accounts</li> <li>+ 200+ Reports</li> <li>◆ 2.4 million Transactions</li> <li>◆ High transaction processing costs</li> </ul>	<ul style="list-style-type: none"> <li>4 3 Modules</li> <li>◆ Re-designed Chart</li> <li>◆ 50 Reports</li> <li>◆ Reduced transactions</li> <li>◆ Achieve 1st quartile</li> </ul>

2



## Financial Information Systems Project

### The Need to Change


---

- ◆ 20 year-old financial systems
- ◆ Year-2000 compliant
- ◆ Risk of failure

---

- 4 \$1 million spent annually "chasing numbers"
- 4 Repository of financial information
- ◆ Employee effectiveness

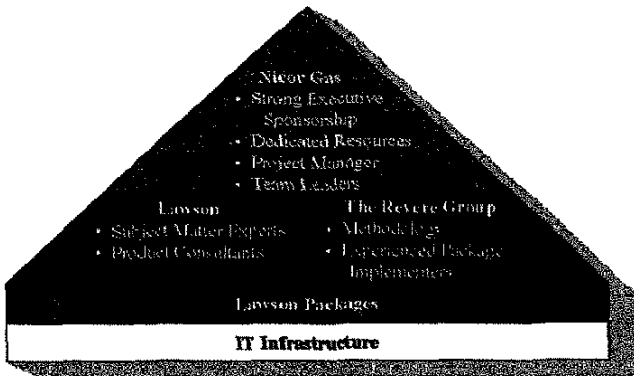
3



## Financial Information Systems Project

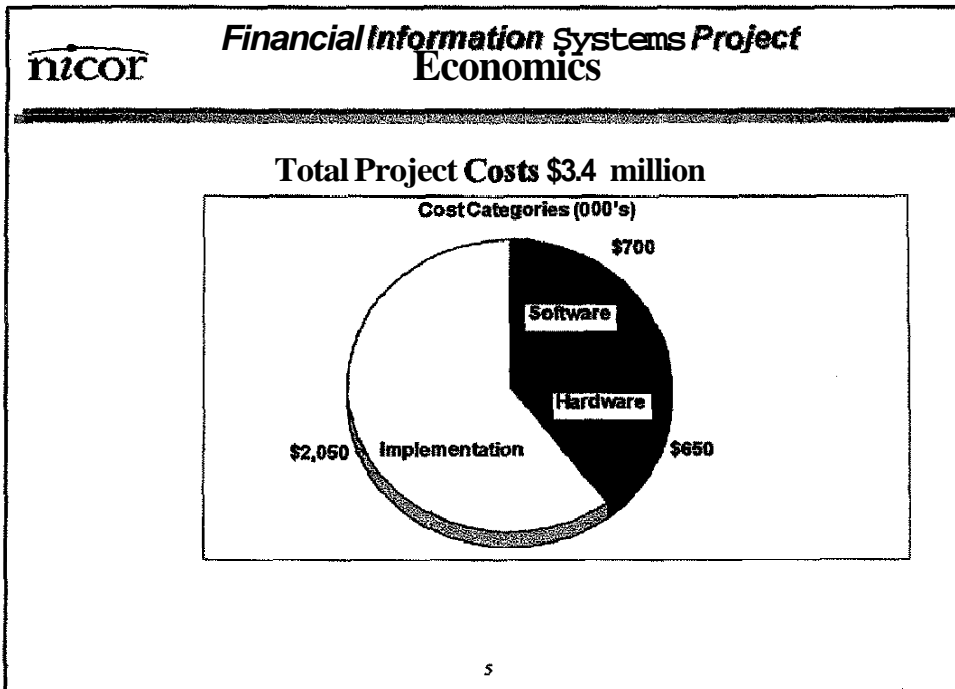
### Project Management

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The diagram is a pyramid with four main sections. The top section is labeled 'Nitor Gas' and lists: Strong Executive Sponsorship, Dedicated Resources, Project Manager, and Team Leaders. The middle-left section is labeled 'Lawson' and lists: Subject Matter Experts and Product Consultants. The middle-right section is labeled 'The Ryere Group' and lists: Methodology and Experienced Package Implementers. The bottom section is labeled 'Lawson Packages' and 'IT Infrastructure'.

4



**Financial Information Systems Project Economics**

**NPV = \$515,000**

savings (000's)	
◆ One-time	\$370
◆ Hard on-going	\$480
◆ Soft on-going	\$480

---

● Deferment NPV	\$245
◆ Hard only NPV	(\$1,475)

6

**Nicor Gas****Financial Policy *Committee* Approval**

**New Project: \$1,000 or more**  
**(In Thousands)**

**Budget Item No. 8951 - Computers - General Office -**

This request is for the purchase and implementation of a financial system package (Lawson) to replace the existing 20-year old mainframe systems in order to provide additional functionality needed to support current and future business activities and to be compliant with the Year 2000 transition. This Financial Information System (FIS) Project was approved by the FIS Steering Committee, the Information Technology Steering Committee, and the Capital Project Review Committee.

	1997	\$	600
	1998		2,400
	1999		<u>400</u>
<b>Total Authorization</b>			<b><u>\$3,400</u></b>

December 3, 1997

## Financial Information System Project Financial Policy Committee Funding Request

### Statement of Objective of Meeting

This request is to obtain FPC approval to spend \$3.4 million over two years to purchase and implement the **Lawson** packaged financial system suite.

### Background

This project will replace our aging and low functional financial applications with widely used competitive tools that will provide the foundation for the Company's **overall** financial management. The **current** systems represent an ever increasing risk of total failure as over 80% of **monthly** closings completed over the last several years have been plagued by system problems. The project is long overdue and will need to be completed to support our growing business needs. We have identified approximately 380 users for the system. In developing our business case earlier this year, a cross section of 70 officers, managers, supervisors and **staff** were interviewed to validate the assumptions and **expectations** for this project. Throughout the business case development, virtually everyone we interviewed emphatically expressed that the current **financial** systems were not capable of meeting our current or **future** needs and keeping these systems is not a viable option

### Long and Short Range Plans

The time line for this project includes the following:

Vendor Selection	11/7/97
Software Delivery	1/1/98
Conference room pilot	May 1998
Non-Nicor Gas entities "Live Date"	Mid-1998
Prepare 1999 budgets on current system and map data to new accounting structure	Fall 1998
Nicor Gas "Live Date"	1/1/99
Prepare 2000 budgets on new system	Fall 1999

### Recommended Solution

We used the Decision Drivers General **Accounting/Financial** Applications Model from the Gartner Group and the Revere Group methodology to assist with our vendor evaluation. Each methodology considered both technical and functional features. Nine financial packages were initially evaluated. Based on these evaluations, we **narrowed** our prospective vendor list to two vendors. We then evaluated these vendors **based** on the **RFP** response, references, financial viability, vendor demonstrations and cost of ownership. The results of the evaluation showed that both vendors meet base Functionality and are financially viable. We **are recommending Lawson** as the vendor of choice.

Several other "soft" issues were also considered in selecting **Lawson** as our **software** vendor. We have an existing business relationship with **Lawson**. This relationship has given us the opportunity to have a voice in **future** product enhancements. We have in-house experience in implementing a **Lawson** product (procurement suite). **Lawson** has been willing to work with us to correct problems. We have a good relationship with our account manager, and are confident in further developing our partnership.

### Key Project Benefits

- Employee satisfaction (provide competitive tools and substantially reduce or eliminate non-rewarding manual tasks].
- Implement new chart of accounts (move to activity based costing).
- Easily accessible standardized reporting.
- Increased functionality and flexibility.
- Year 2000 cost avoidance.
- FTE reduction (reduced cost of **governance/compliance**).
- Provide a foundation for the following.
  - Implementation of activity based costing.
  - Access to **current** data without depending on completion of accounting closes.

Cost Benefit Analysis

The cost benefit analysis included the following (detail schedule attached).

Capital Costs

- Software (General Ledger, **Activity/Project** and Asset Management)
- Hardware (HP server).
- Development **and** implementation (company core project team, consultant services and programming).
- Sunk costs for evaluation phase authorized by IT Steering July 7, 1997.

Annual Expenses

- Administrative support personnel in client area.
- System support personnel in IT.
- Package system maintenance.

Ongoing Savings

- Employee efficiency improvements (including FTE reductions).
- Other items (printing and contract programming to maintain budget system).

One-Time Savings

- Year 2000 cost avoidance.
- Pending Job Requests.

The net present value (NPV) was calculated for **three** scenarios.

- Implement effective 1-1-99: NPV = **\$515,000**.
- Delay **implementation until** 2002: NPV = \$245,000.
- Hard **costs** vs. hard savings: NPV = (\$1,475,000).

# FIS PROJECT COST/BENEFIT ANALYSIS

## COSTS

CAPITAL (*charged to* work order)

(\$000)

Software:

General Ledger	\$220
Activity Management	220
Asset Management	110
Other Software	125
Less: Discounts	(115)
Total Software	<u>\$560</u>

Hardware:

UNIX Sewer	<u>\$500</u>
------------	--------------

Development and Implementation:

Consulting Services	\$600
Company Core Project Team	605
Programming Services	165
Company Infrastructure Support	85
Total Development and Implementation	<u>\$1,455</u>

Training and Education:

Company Core Project Team Vendor Training	\$50
Company IT Vendor Training	35
Total Training and Education	<u>\$85</u>

Total Estimated Project Costs

\$2,600

Plus: 10% Software/Hardware Contingency

260

10% General Contingency

260

Total Estimated Project Costs Including Contingencies

\$3,120

Sunk Costs Through 10/31/97

\$290

Total Project Costs (Estimated Plus Sunk)

\$3,410

## EXPENSE

Annual Maintenance:

Admin. Support Group - 2 Client FTEs	\$100
System Support - .5 IT FTE	35
Vendor Maintenance Fee	90
Total Annual Maintenance	<u>\$225</u>

**SAVINGS****ONGOING**

## Employee Efficiency Improvements:

IT & Client System Maintenance/Enhancements	\$165
Operational Management	145
Accounting Departments	140
G.O. Management	140
Budget Coordinators	60
Total Employee Efficiency Improvements	<u>\$650</u>

## Breakdown Of Employee Efficiency Improvements:

Hard FTE Savings	\$325
Reallocation of Activities	325
	<u>650</u>
Payroll Additive	310
Total Employee Efficiency Savings	<u>\$960</u>

## Other Savings:

Contracted Programmer (Budget System Maintenance)	\$10
Printing Eliminated	5
Total Other Savings	<u>\$15</u>

## Total Ongoing Savings

\$975**ONE-TIME**

## Cost Avoidance:

Year 2000	\$270
Pending Job Requests	100
Total One-Time Savings	<u>\$370</u>

**NPV CALCULATIONS**

## Base Case (1/1/99 completion)

\$515

## Sensitivities:

Hard Costs/Savings Only	<u>(\$1,475)</u>
Deferment of Implementation (1/1/02 completion)	<u>\$245</u>

ALTERNATIVE CONSIDERED



FIS Project - Project Alternatives			
			Created 6/25/2004

### Approach Considerations

1. Need Y2K remediation
2. Retain or modify Chart of Accounts
3. Package Solution vs Upgrade Old systems
4. Scope of work – GIL, Fixed Assets and Activity Management

Alternatives	Reason for Rejecting
Replace with Package Solution - including General Ledger, Fixed Assets, Activity Management and Chart of Accounts	Proposed Solution
Replace with Package Solution - Fixed Asset and General Ledger only	More interfaces; Modification of Package; Y2K remediation of Budget systems; Lacks Activity Management "true cost"
Replace with Package Solution - Fixed Asset and General Ledger only with Chart of Accounts	More interfaces; Y2K remediation of Budget systems; Lacks Activity Management "true cost"; Requires more change to Feeder systems;
Upgrade Current Systems	Requires Y2K remediation first; Doesn't eliminate replacement risk; Just as costly as replacement

### Package Alternatives

1. Nine packages were reviewed.
2. Narrowed ~~selection~~ down to three: Oracle, Peoplesoft; **Lawson**.
3. Issued RFP's and reviewed.
4. Oracle was eliminated;
5. Requested scripted demonstrations with both **Lawson and** Peoplesoft;
6. Reviewed alternatives with Tropical Shipping (Performing Financial System selection at the same time).
7. Chose **Lawson** (Note: Tropical Shipping chose Peoplesoft)
  - a. Better financial impact
  - b. Synergy with existing Procurement system

### Implementation Alternatives

1. Reviewed potential system integrators;
2. Request for Approach (RFA) sent to three vendors
  - a. Revere Group
  - b. Whittman-Hart Inc
  - c. Keystone Group
3. Selected Revere Group
  - a. **Lawson** Experience
  - b. Strong Change Management practice
  - c. Rates

### **Alternative Approaches to Financial System Replacements**

The following table represents our initial assessment of various replacement options for the financial systems. We have characterized the pros and cons in light of our current proposal. There are no significant advantages identifiable with these alternatives.

Options 2 and 3 would not include Work Order Maintenance (the front end of the PL System), Budgets, ADDB, AIRS or Intercompany Billing (IA).

Every option:

- eliminates MAS90
- provides consolidations

PROS	CONS
<b>1. Our Proposal</b>	
<ul style="list-style-type: none"> <li>• best integration</li> <li>• fewest interfaces</li> <li>• fewest changes to other systems</li> </ul>	<ul style="list-style-type: none"> <li>• expensive</li> <li>• may require changes to feeders for COA</li> </ul>
N/A	N/A
<b>2. Only Replace G/L &amp; Fixed Assets</b>	
<ul style="list-style-type: none"> <li>• no changes to feeders for COA</li> <li>• provides for multi-companies and consolidations</li> <li>• easy interface to Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• will mean more <b>interfaces</b></li> <li>• requires modification to <b>Lawson G/L</b> to handle <b>current</b> accounting scheme</li> <li>• requires more detail to be stored than would be needed for financial needs</li> <li>• no "true cost" analysis</li> <li>• some gorilla work stays</li> <li>• more changes to other systems</li> </ul>
<b>\$125k</b> - not changing feeders <b>\$160k</b> - AC module not needed	<b>\$85k</b> - more interfaces unreplaced <b>financials</b> <b>\$100k</b> - modify <b>Lawson</b> for our COA <b>\$100k</b> - year 2000 conversion
<b>3. Only Replace G/L &amp; Fixed Assets, and New Chart of Accounts</b>	
<ul style="list-style-type: none"> <li>• provides <b>true</b> costing</li> </ul>	<ul style="list-style-type: none"> <li>• will mean more interfaces</li> <li>• requires more changes to other systems for <b>COA</b></li> <li>• some gorilla work stays</li> </ul>
<b>\$160k</b> - AC module not needed	<b>\$???k</b> - change for COA for unreplaced <b>financials</b> <b>\$100k</b> - year 2000 conversion
<b>4. Upgrade Current Systems</b>	
<ul style="list-style-type: none"> <li>• could be spread out over a longer period</li> </ul>	<ul style="list-style-type: none"> <li>• best practice upgrades still have to be programmed</li> <li>• <b>UNISYS?</b></li> <li>• have people to do it?</li> <li>• could not be <del>done</del> in time to eliminate year 2000 conversion</li> </ul>
<b>\$2,500k</b> - our proposal	<b>\$270k</b> - year 2000 conversion <b>\$3,700k</b> - minimum to upgrade to incorporate best practices

# MANAGEMENT REPORTS



***Northern Illinois Gas***

# Financial System Replacement Project

## Business Case

Ed Fleming  
Ed Merzlock  
Dan Rourke  
John Wong

The Revere Group:  
Tony Goar  
Dale Butson  
Vivian Ragis

June 27, 1997

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